

Disclosure pursuant to section 430(2B) of the Companies Act 2006 – Ian King

This announcement sets out the disclosure required by section 430(2B) of the Companies Act 2006 in relation to the retirement of Ian King from BAE Systems plc (the 'Company') on 30 June 2017.

- (a) Mr. King's retirement will constitute early retirement with Company consent for share plan and pension purposes and, accordingly:
 - (i) he will be entitled to an immediate pension. Under the Rules of the 2000 Pension Plan and Executive Pension Scheme, a pension of 1/30th of three-year final average salary for each year of service subject to the payment of members' contributions (currently 8%) is payable at 62 years of age. Benefits paid prior to age 62 are subject to actuarial reduction, currently a reduction of 4% to annual benefits for each year that retirement takes place prior to age 62, with proportionate reductions applied in respect of part years. Mr. King will be 61 at the date of his retirement and his pension payments will be reduced accordingly;
 - (ii) unvested share awards and options under the Company's Long-Term Incentive Plan will vest at the normal vesting date, subject to testing of the relevant performance conditions at the end of the normal performance period. Share awards will be reduced pro rata on the basis of complete months from the grant date to 30 June 2017. Any share options that vest will remain exercisable for a period of 6 months from the vesting date;
 - (iii) unvested deferred bonus awards will be preserved and will vest at the normal vesting dates; and
 - (iv) vested share options awarded in 2012 under the Executive Share Option Plan will remain available to exercise in the six month period from 1 July 2017. The award will lapse if not exercised by the end of this period.
- (b) He will continue to be covered by the Company's D&O insurance policy and his current director's indemnification arrangements will remain in force;
- (c) He will continue to be bound by those provisions of his service agreement which continue to apply following cessation of employment, including post-termination restrictive covenants and confidentiality provisions;
- (d) He will be eligible for an annual incentive payment for 2017, determined by the Remuneration Committee, based on an assessment of individual and Company performance. Any bonus will be pro-rated for his 6 months of service during 2017 and will be paid at the normal date following the end of the 2017 financial year. One-third of the net bonus will be compulsorily deferred into shares in the normal way;
- (e) No award will be granted under the Long-Term Incentive Plan in 2017;
- (f) No termination payment will be payable; and
- (g) Taxable benefits comprising the provision of a car allowance and the private use of a chauffeur-driven car will cease from 30 June 2017.

The above information will be updated as necessary in future Remuneration Reports.

The above information is provided pursuant to section 430(2B) of the Companies Act 2006.